

# **QUARTERLY REPORT**

LICENSEE **Bally's Park Place, Inc. (Bally's Atlantic City)**

**FOR THE QUARTER ENDED JUNE 30, 2001**

**TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**

## BALANCE SHEETS

JUNE 30, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents. ....	\$ 26,499	\$ 28,632
2	Short-term investments. ....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2001, \$ 7,259 ; 2000, \$ 4,597 ). .... NOTE 2. ....	69,006	48,134
4	Inventories. ....	2,246	2,247
5	Prepaid expenses and other current assets. ....	4,839	4,447
6	Total current assets. ....	102,590	83,460
7	Investments, Advances, and Receivables. .... NOTES 1 and 3. ...	167,406	116,271
8	Property and Equipment - Gross. .... NOTES 1 and 4. ...	1,058,128	1,028,208
9	Less: Accumulated Depreciation/Amortization. ... NOTES 1 and 4. ...	(511,970)	(478,028)
10	Property and Equipment - Net. ....	546,158	550,180
11	Other Assets. ....	233	17,954
12	Total Assets. ....	\$ 816,387	\$ 767,865
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable. ....	\$ 5,735	\$ 6,571
14	Notes payable. ....	-	-
	Current portion of long-term debt. ....		
15	Due to affiliates. ....	-	-
16	Other. ....	57	62
17	Income taxes payable and accrued. ....	-	-
18	Other accrued expenses. .... NOTE 5. ....	26,724	35,193
19	Other current liabilities. .... NOTE 6. ....	8,569	7,788
20	Total current liabilities. ....	41,085	49,614
	Long-Term Debt:		
21	Due to affiliates. .... NOTE 7. ....	533,500	500,000
22	Other. .... NOTE 7. ....	1,861	2,203
23	Deferred Credits. ....	-	-
24	Other Liabilities. .... NOTE 8. ....	2,109	19,721
25	Commitments And Contingencies. .... NOTE 1. ....	-	-
26	Total Liabilities. ....	578,555	571,538
27	Stockholders', Partners', Or Proprietor's Equity. ....	237,832	196,327
28	Total Liabilities And Equity. ....	\$ 816,387	\$ 767,865

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (A)	DESCRIPTION (b)	2001 (c)	2000 (d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 254,150	\$ 254,111 *
2	Rooms .....	18,084	17,899 *
3	Food and Beverage .....	36,621	35,141
4	Other .....	6,005	5,892 *
5	Total Revenue .....	314,860	313,043
6	Less: Promotional allowances .....	34,142	32,261
7	Net Revenue .....	280,718	280,782
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	145,649	137,454 *
9	Selling, General, and Administrative .....	53,101	56,455 *
10	Provision for Doubtful Accounts .....	1,459	1,030
11	Total costs and expenses .....	200,209	194,939
12	Gross Operating Profit .....	80,509	85,843
13	Depreciation and amortization ..... NOTE 1...	17,516	18,864
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 9...	8,435	8,481
15	Other .....	---	---
16	Income (Loss) from Operations .....	54,558	58,498
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 7...	(21,445)	(21,094)
18	Interest (expense) - external .....	(137)	(139)
19	Investment alternative tax and related income (expense) - net .....	(1,942)	(1,900)
20	Non-operating income (expense) - net ..... NOTE 10...	4,682	7,056
21	Total other income (expenses) .....	(18,842)	(16,077)
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	35,716	42,421
23	Provision (credit) for income taxes .....	13,144	14,922
24	Income (Loss) Before Extraordinary Items .....	22,572	27,499
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 22,572	\$ 27,499

\* Restated to conform to the 2001 presentation.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (A)	DESCRIPTION (b)	2001 (c)	2000 (d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 130,651	\$ 132,937 *
2	Rooms .....	9,857	9,683 *
3	Food and Beverage .....	18,782	18,429
4	Other .....	3,002	3,018 *
5	Total Revenue .....	162,292	164,067
6	Less: Promotional allowances .....	17,292	16,335
7	Net Revenue .....	145,000	147,732
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	73,356	69,315 *
9	Selling, General, and Administrative .....	25,112	29,830 *
10	Provision for Doubtful Accounts .....	973	505
11	Total costs and expenses .....	99,441	99,650
12	Gross Operating Profit .....	45,559	48,082
13	Depreciation and amortization ..... NOTE 1...	8,814	9,401
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 9...	4,359	4,475
15	Other .....	---	---
16	Income (Loss) from Operations .....	32,386	34,206
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 7...	(10,862)	(10,495)
18	Interest (expense) - external .....	(67)	(72)
19	Investment alternative tax and related income (expense) - net .....	(967)	(960)
20	Non-operating income (expense) - net ..... NOTE 10...	5,026	5,841
21	Total other income (expenses) .....	(6,870)	(5,686)
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	25,516	28,520
23	Provision (credit) for income taxes .....	8,585	9,494
24	Income (Loss) Before Extraordinary Items .....	16,931	19,026
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 16,931	\$ 19,026

\* Restated to conform to the 2001 presentation.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2000 AND THE SIX MONTHS ENDED JUNE 30, 2001

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid - In Capital (g)	----- ----- ----- (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 1999	100	\$ 1			\$ 129,198		\$ 39,629	\$ 168,828
2	Net Income - 2000							56,432	56,432
3	Contribution to Paid - In Capital								
4	Dividends							(10,000)	(10,000)
5	Prior Period Adjustments								
6	Distribution to PPE								
7									
8									
9									
10	Balance, December 31, 2000	100	1			129,198		86,061	215,260
11	Net Income - 2001							22,572	22,572
12	Contribution to Paid - In Capital								
13	Dividends								
14	Prior Period Adjustments								
15	Distribution to PPE								
16									
17									
18									
19	Balance, June 30, 2001	100	\$ 1			\$ 129,198		\$ 108,633	\$ 237,832

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2000 AND THE SIX MONTHS ENDED JUNE 30, 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

**NOT APPLICABLE**

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 1999. . . . .				
2	Net Income (Loss) - 2000. . . . .				
3	Capital Contributions. . . . .				
4	Capital Withdrawals. . . . .				
5	Partnership Distributions. . . . .				
6	Prior Period Adjustments. . . . .				
7					
8					
9					
10	Balance, December 31, 2000. . . . .				
11	Net Income (Loss) - 2001. . . . .				
12	Capital Contributions. . . . .				
13	Capital Withdrawals. . . . .				
14	Partnership Distributions. . . . .				
15	Prior Period Adjustments. . . . .				
16					
17					
18					
19	Balance, June 30, 2001. . . . .				

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF CASH FLOWS

Page 2 of 2

FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LIN (a)	Description (b)	2001 (c)	2000 (d)
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss) .....	\$ 22,572	\$ 27,499
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment .....	17,516	18,864
31	Amortization of other assets .....	---	---
32	Amortization of Debt Discount or Premium .....	---	---
33	Deferred Income taxes - current .....	---	---
34	Deferred income taxes - noncurrent .....	---	---
35	(Gain) loss on disposition of property and equipment .....	25	(62)
36	(Gain) loss on casino reinvestment obligations .....	1,942	1,900
37	(Gain) loss from other investment activities .....	(3,584)	(5,936)
38	Net (increase) decrease in receivables and patrons' checks .....	(7,110)	(1,951)
39	Net (increase) decrease in inventories .....	(106)	490
40	Net (increase) decrease in other current assets .....	(2,036)	(2,074)
41	Net (increase) decrease in other assets .....	68	(1,081)
42	Net increase (decrease) in accounts payables .....	(810)	1,224
43	Net increase (decrease) in other current liabilities excluding debt .....	(5,720)	6,025
44	Net increase in other noncurrent liabilities excluding debt .....	(57)	1,681
45	Loss on extinguishment of debt, net of income tax benefit .....	---	---
46	Amortization of CRDA assets .....	---	---
47	Net Cash Provided (Used) By Operating Activities .....	\$ 22,700	\$ 46,579

## SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment .....	\$ 7,373	\$ 19,551
49	Less: Capital lease obligations incurred .....	---	---
50	Cash Outflows For Property And Equipment .....	\$ 7,373	\$ 19,551
	<b>Acquisition Of Business Entities:</b>		
51	Property and equipment acquired .....	\$ ---	\$ ---
52	Goodwill acquired .....	---	---
53	Net assets acquired other than cash, goodwill, and property and equipment .....	---	---
54	Long-term debt assumed .....	---	---
55	Issuance of stock or capital invested .....	---	---
56	Cash Outflows To Acquire Business Entities .....	\$ ---	\$ ---
	<b>Stock Issued Or Capital Contributions:</b>		
57	Total issuances of stock or capital contributions .....	\$ ---	\$ ---
58	Less: Issuances to settle long-term debt .....	---	---
59	Consideration in acquisition of business entities .....	---	---
60	Cash Proceeds From Issuing Stock Or Capital Contributions .....	\$ ---	\$ ---

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF CASH FLOWS

Page 1 of 2

FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LIN (a)	Description (b)	2001 (c)	2000 (d)
1	Net Cash Provided (Used) By Operating Activities .....	\$ 22,700	\$ 46,579
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities .....	---	---
3	Proceeds from the sale of short-term investment securities .....	---	---
4	Purchase outflows for property and equipment .....	(7,373)	(19,551)
5	Proceeds from disposition of property and equipment .....	140	68
6	Purchase of casino reinvestment obligations .....	(3,229)	(3,751)
7	Purchase of other investments and loans/advances made .....	(33,500)	---
8	Proceeds from disposal of investments and collection of advances and long-term receivables .....	113	744
9	Cash outflows to acquire business entities .....	---	---
10	.....	---	---
11	Net book values of disposals .....	---	---
12	Net Cash Provided (Used) By Investing Activities .....	(43,849)	(22,490)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt .....	---	---
14	Payments to settle short-term debt .....	---	---
15	Cash proceeds from issuance of long-term debt .....	33,500	---
16	Costs of issuing debt .....	---	---
17	Payments to settle long-term debt .....	(35)	(32)
18	Cash proceeds from issuing stock or capital contributions .....	---	---
19	Purchases of treasury stock .....	---	---
20	Payments of dividends or capital withdrawals .....	---	---
21	Change in payable to/receivable from affiliate .....	(21,706)	(28,742)
22	.....	---	---
23	Net Cash Provided (Used) By Financing Activities .....	11,759	(28,774)
24	Net Increase (Decrease) In Cash And Cash Equivalents .....	(9,390)	(4,685)
25	Cash And Cash Equivalents At Beginning Of Period .....	35,889	33,317
26	Cash And Cash Equivalents At End Of Period .....	\$ 26,499	\$ 28,632

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized) .....	\$ 21,582	\$ 21,233
28	Income taxes .....	\$ 13,144	14,922

The accompanying notes are an integral part of the financial statements.



# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED JUNE 30, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	129,126	\$ 5,564		\$
2	Food	599,532	7,374		
3	Beverage	1,931,870	3,864		
4	Travel			15,622	1,136
5	Bus Program Cash			265,030	3,508
6	Other Cash Complimentaries			601,984	7,756
7	Entertainment	15,353	276	483	60
8	Retail & Non-Cash Gifts	3,485	157	1,552	112
9	Parking				
10	Other *	1,898	57	34,286	531
11	Total	2,681,264	\$ 17,292	918,957	\$ 13,103

FOR THE SIX MONTHS ENDED JUNE 30, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	266,291	\$ 10,725		\$
2	Food	1,155,478	14,500		
3	Beverage	3,946,823	7,894		
4	Travel			28,420	2,098
5	Bus Program Cash			504,674	7,486
6	Other Cash Complimentaries			1,181,554	17,229
7	Entertainment	32,439	607	1,616	202
8	Retail & Non-Cash Gifts	6,993	310	3,572	221
9	Parking				
10	Other *	3,534	106	75,118	1,012
11	Total	5,411,558	\$ 34,142	1,794,954	\$ 28,248

\* No item in this category exceeds 5%.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation (the "Company"), a wholly owned subsidiary of Park Place Entertainment Corporation ("PPE"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City", and was formerly known as "Bally's Park Place Casino Resort." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Company's Casino Control Commission Quarterly Report for the year ended December 31, 2000.

All adjustments have been recorded which are, in the opinion of management, necessary for a fair presentation of the balance sheets of the Company at June 30, 2001 and 2000, and its statements of income for the three and six months ended June 30, 2001 and 2000 and its statements of cash flows for the six months ended June 30, 2001 and 2000. All such adjustments were of a normal recurring nature.

**Seasonal factors**

The Company's operations are subject to seasonal factors and, therefore, the results of operations for the six months ended June 30, 2001 and 2000 are not necessarily indicative of the results of operations for the full year.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

**Inventories**

Inventories are stated at the lower of cost (weighted average cost method) or market, which approximates replacement cost.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Property and equipment**

Depreciation of property and equipment is provided on the straight-line method over the estimated economic lives of the related assets. Depreciation expense was \$8,814 and \$9,401 for the three months ended June 30, 2001 and 2000, respectively, and \$17,516 and \$18,864 for the six months ended June 30, 2001 and 2000, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

**Long-lived assets**

The provisions of Statement of Financial Accounting Standard No. 121 "Accounting for the Impairment of Long-Lived Assets," require, among other things, that an entity review its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company does not believe that any such changes have occurred.

**Fair value of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at June 30, 2001 and 2000.

**Investments in subsidiaries**

The Company has an investment in GNOC, Corp. (which owns and operates the casino hotel resort in Atlantic City known as the "Atlantic City Hilton"). The Company also has investments in six other subsidiaries, Atlantic City Country Club, Inc., Bally's Park Place Realty Co., B.W. Realty, Inc., Bally Warwick, Inc., Bally's Land Ventures, Inc. and Bally's Skyscraper, Inc ("BSI"). On June 1, 2001, BSI purchased the assets and assumed certain liabilities of the Claridge at Park Place, Inc. ("CPPI") and Atlantic City Boardwalk Associates ("ACBA"), and commenced operation of the casino hotel resort in Atlantic City known as the "Claridge." The investments in all subsidiaries are reflected in the accompanying financial statements using the equity method.

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to PPE on a daily basis. PPE provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other PPE affiliates are

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

consolidated, including limousine services, legal services, advertising, sales and marketing services, purchasing and certain other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated federal income tax return of PPE. The Company provides for income taxes by applying the respective state and federal statutory rates to the results of operations. The corresponding liability or receivable is credited or charged to PPE. Deferred income tax assets and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by PPE.

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

**New Accounting Standard**

Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), is effective for all fiscal years beginning after June 15, 2000. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company adopted SFAS 133 January 1, 2001. The adoption of SFAS 133 did not have a significant impact on the financial position, results of operations, or cash flows of the Company.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 2 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Casino receivables (net of allowance for doubtful accounts – \$7,194 in 2001 and \$4,532 in 2000)	\$ 8,901	\$ 7,615
Other (net of allowance for doubtful accounts – \$65 in 2001 and 2000)	4,767	3,853
Due from PPE	26,060	20,582
Due from Caesars Atlantic City	11,823	-
Due from Atlantic City Country Club, Inc.	15,070	13,194
Due from affiliates	2,385	2,890
	<u>\$ 69,006</u>	<u>\$ 48,134</u>

**NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables as of June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Investment in wholly owned subsidiaries:		
Atlantic City Country Club, Inc.	\$ 17,281	\$ 18,323
Bally's Park Place Realty Company	15,625	15,625
B.W. Realty, Inc.	5,329	5,242
Bally Warwick, Inc.	4,166	4,166
Bally's Land Ventures Realty, Inc.	14,342	6,626
Bally's Skyscraper, Inc.	33,472	-
GNOC, Corp.	47,578	39,132
Total investment in subsidiaries	137,793	89,114
Casino Reinvestment Development Authority		
Investment obligations (less valuation reserves of \$12,106 in 2001 and \$10,178 in 2000)	26,862	23,510
Jacobs Family Terrace mortgage receivable (less reserve of \$250 in 2001 and 2000)	1,796	1,879
Long-term receivable from GNOC, Corp.	955	1,768
	<u>\$167,406</u>	<u>\$116,271</u>

The Company, GNOC, Corp. and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and GNOC, Corp. resulting in the long-term receivable from GNOC, Corp. The investment agreement provides an investment plan for use of certain current and future CRDA funds.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Land	\$ 79,492	\$ 79,492
Buildings and improvements	745,792	724,140
Furniture, fixtures and equipment	230,734	215,256
Construction in progress	<u>2,110</u>	<u>9,320</u>
	1,058,128	1,028,208
Less accumulated depreciation and amortization	<u>(511,970)</u>	<u>(478,028)</u>
	<u>\$ 546,158</u>	<u>\$ 550,180</u>

**NOTE 5 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Accrued payroll and benefits	\$ 15,229	\$ 17,232
Insurance claims	4,929	5,272
Other	<u>6,566</u>	<u>12,689</u>
	<u>\$ 26,724</u>	<u>\$ 35,193</u>

**NOTE 6 - OTHER CURRENT LIABILITIES**

Other current liabilities as of June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Chip and token liability	\$ 1,939	\$ 1,556
Due to affiliates	5,985	5,149
Other	<u>645</u>	<u>1,083</u>
	<u>\$ 8,569</u>	<u>\$ 7,788</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 7 - LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER**

Long-term debt-due to affiliates and other as of June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Long-term debt due to affiliates:		
8.5% Note payable to Park Place Finance Corporation ("PPFC") due May 31, 2011	\$ 33,500	\$ -
8.5% Note payable to PPFC due January 1, 2009	<u>500,000</u>	<u>500,000</u>
	<u>\$ 533,500</u>	<u>\$ 500,000</u>
Long-term debt-other:		
Other secured and unsecured debt	<u>\$ 1,861</u>	<u>\$ 2,203</u>

In January 1999, the Company executed a \$500,000 note payable to PPE with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, PPE assigned the \$500,000 note to PPFC. On June 1, 2001 the Company executed a \$33,500 note payable to PPFC with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. The proceeds were invested in BSI.

**NOTE 8 - OTHER LIABILITIES**

Other liabilities as of June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Retirement and other employee benefit plans	\$ 1,628	\$ 19,284
Other	<u>481</u>	<u>437</u>
	<u>\$ 2,109</u>	<u>\$ 19,721</u>

**NOTE 9 - CHARGES FROM AFFILIATES-MANAGEMENT FEE**

The Company and PPE have entered into an administrative services and management agreement. Under the agreement, PPE provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration of the performance of these duties, the Company pays PPE a monthly management fee, equal to three percent of revenues (net of complimentary services).

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 10 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Interest income	\$ 272	\$ 308
Gain (loss) on sale of assets	14	31
Equity in income (loss) of unconsolidated subsidiaries	4,521	5,301
Other	<u>219</u>	<u>201</u>
	<u>\$ 5,026</u>	<u>\$ 5,841</u>

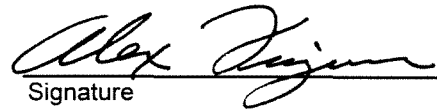
Nonoperating income (expense) for the six months ended June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Interest income	\$ 701	\$ 657
Gain (loss) on sale of assets	(25)	62
Equity in income (loss) of unconsolidated subsidiaries	3,584	5,936
Other	<u>422</u>	<u>401</u>
	<u>\$ 4,682</u>	<u>\$ 7,056</u>



# STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
Signature

Vice President/Chief Financial Officer  
Title

#7438-11  
License Number

On Behalf Of:  
Bally's Park Place, Inc. NJ  
Casino Licensee